fil

Niagara Structural Steel

ST. CATHARINES

Annual Report

FOR THE YEAR ENDED AUGUST 31

1969

DESIGN
ENGINEERING

CATALYTIC
CONSTRUCTION OF CANADA, LIMITED

CONSTRUCTION
MAINTENANCE

805 N. Christina Street,
Sarnia, Ontario.

April 24, 1969.

Mr. Roy Kennedy,
Vice-President,
Niagara Structural Steel (St. Catharines) Limited,
P. O. Box 750,
St. Catharines, Ontario.

REFERENCE: Eldorado Nuclear Limited,
Purchase Order 3076-85,
Subcontract-Structural Steel

Dear Roy:

It is not often a Company lives up to its total responsibility, both morally and economically. I must in all honesty express my sincere appreciation for your weekend work of April 12, 1969, which insured meeting one of our critical contract dates.

Our business relationship over the past several years has always been cooperative, augmented by this demonstration of good faith.

We look forward to a continued, excellent business relationship.

Yours very truly,

J. W. Addison

J. W. Addison,
Purchasing Agent.

JWA:aw

NIAGARA STRUCTURAL STEEL COMPANY LIMITED

DIRECTORS:

B. A. BROWN
S. HALPERIN
M. J. HOWE
R. A. KENNEDY
H. W. OLCH, Q.C.
E. D. SCOTT
H. P. TOMARIN

OFFICERS:

H. P. TOMARIN, President and General Manager
R. A. KENNEDY, Senior Vice-President
S. HALPERIN, Vice-President
H. W. OLCH, Q.C., Secretary
ELLARD W. YEO, C.A., Treasurer

HEAD OFFICE & GENERAL SALES OFFICE:

SMITH & PETRIE STREETS
ST. CATHARINES, ONTARIO

AUDITORS:

DAVID B. FINE & COMPANY
TORONTO, ONTARIO

SOLICITORS:

OLCH, TORGOV & COHEN
TORONTO, ONTARIO

REGISTRAR AND TRANSFER AGENT:

THE CANADA TRUST COMPANY
TORONTO, ONTARIO

First Preference Shares, Series "A" Listed: The Toronto Stock Exchange

THE YEAR IN REVIEW

Your Directors herewith submit the Annual Report of your Company for fiscal year ended August 31, 1969.

Features of fiscal 1969:

— Net profit of $47,193 after providing for income taxes of $39,129 — compared with loss for fiscal 1968 of $381 (restated).

— Sales volume of approximately $8,570,000 — compared with approximately $7,200,000 for fiscal 1968.

— Four quarterly dividends paid to first preference shareholders to a total of $32,821

— Earnings per common share of 3¢ after first preference share dividends — compared to nil earnings for fiscal 1968.

— Profit before provision for income tax of $86,322 compared to $36,310 for fiscal 1968 (restated).

— $12,000 allocated to the share purchase fund to be used for the purchase and retirement of 2% of the total issued first preference shares.

— Sales backlog entering 1970 fiscal period in excess of $5,000,000 compared with approximately $2,000,000 entering 1969 fiscal period.

— Activities of Northern Steel subsidiaries reorganized and consolidated into a single operation at Sept-Isles, Quebec, with resulting economies and improvements in control and efficiency.

Management is to be commended that its predicted profit recovery in the Report accompanying Consolidated Statement of Operations for 9 months to May 31, 1969, has been realized. Note should also be taken of substantial recovery in working capital.

Your Directors confidently expect continuing improvement throughout fiscal 1970.

Projects completed by Niagara during 1969 included Iron Ore Concentrator Facilities for Falconbridge Nickel Mines at Falconbridge; Loadout Structure and Conveyors for International Nickel Company at Thompson, Manitoba; McMaster University Central Utilities Building for Piggott Construction at Hamilton; Canadian British Aluminum Company Manufacturing Facilities Addition for Canadian Bechtel Limited at Baie Comeau, Quebec.

Included in the present backlog are Dofasco Blast Furnace Complex for Arthur G. McKee & Company at Hamilton; Dept. of Public Works Oil Terminal Wharf for C. A. Pitts at Point Tupper, N.S.; Building #53 Stamping Plant for General Motors at Oshawa; Atomic Energy of Canada Heavy Water Plant for Lummus Co. Canada Ltd. at Douglas Point; Expansion of Manufacturing Facilities for The Budd Co. of Canada at Kitchener.

Your Directors must record their sincere appreciation for the dedicated services of management and all employees over the past year.

Respectfully submitted
on behalf of the Board of Directors,

H. P. Tomarin
H. P. TOMARIN
President

December 1, 1969.

ASSETS

	AUGUST 31 1969	1968
Current		
Cash	$ 14,328	$ 5,014
Accounts receivable, less allowance for doubtful accounts	2,282,640	1,865,494
Income taxes recoverable	114,210	
Inventories of steel, work in process and sundry materials, at lower of cost or net realizable value	1,999,783	1,239,536
Prepaid expenses	68,474	69,671
	$4,479,435	$3,179,715
Fixed		
Land, land improvements, buildings, machinery and equipment, automotive equipment, office furniture and fixtures (Notes 2 and 10)	$2,274,721	$2,226,245
Less — accumulated depreciation (Note 3)	524,508	487,657
	$1,750,213	$1,738,588
Other		
Special refundable tax		$ 11,724
Incorporation and issue expenses, less amortization (Note 4)	$ 48,000	$ 52,000
	$ 48,000	$ 63,724
	$6,277,648	$4,982,027

AUDITORS' REPORT TO THE SHAREHOLDERS

To the Shareholders,
Niagara Structural Steel Company Limited,
St. Catharines, Ontario.

Dear Sirs:

We have examined the consolidated balance sheet of Niagara Structural Steel Company Limited and subsidiary companies as at August 31, 1969 and the consolidated statements of operations, retained earnings and source and use of funds for the year ended on that date. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

We report that in our opinion, the accompanying consolidated balance sheet and related consolidated statements of operations, retained earnings and source and use of funds present fairly the financial position of the Companies as at August 31, 1969 and the results of their operations and the sources and uses of their funds for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Respectfully submitted,

DAVID B. FINE & COMPANY,

Toronto, November 21, 1969.

Chartered Accountants.

ANY LIMITED AND SUBSIDIARY COMPANIES

LANCE SHEET

L I A B I L I T I E S

	AUGUST 31 1969	1968
Current		
Bank advances (secured) (Note 6)	$1,172,174	$1,151,605
Accounts payable and accrued liabilities	2,110,458	1,219,157
Income and other taxes payable	100,717	132,587
Advances on construction in progress	157,086	46,662
Long term debt due within one year (Notes 5 and 7)	55,900	55,450
	$3,596,335	$2,605,461
Long Term Debt		
Bank loan (secured) (Note 5)	$ 370,475	$ 222,375
7% Mortgage payable, due December 31, 1972 (Note 7)	10,500	14,500
Balance owing on land pursuant to an agreement of purchase, due December 31, 1970 (Note 10)	12,000	12,000
	$ 392,975	$ 248,875
	$3,989,310	$2,854,336

SHAREHOLDERS' EQUITY

Capital Stock

Authorized:

50,000	First preference shares with a par value of $30 each, issuable in series
(1,750)	First preference shares, series A purchased for cancellation out of purchase fund (Note 9)
(1,446)	First preference shares, series A converted into common shares (Note 12)
46,804	Balance authorized
1,000,000	Common shares without par value

Issued and fully paid:

1969	1968		1969	1968
20,000	20,000	6½% cumulative, redeemable, convertible first preference shares, series A with a par value of $30 each, redeemable at $31.50 (Note 11)	$ 600,000	$ 600,000
(1,750)	(1,750)	First preference shares, series A purchased for cancellation out of purchase fund (Note 9)	(52,500)	(52,500)
(1,466)		First preference shares, series A converted into common shares (Note 12)	(43,380)	
16,804	18,250	Balance outstanding	$ 504,120	$ 547,500
475,007	475,007	Common shares without par value	$ 997,507	$ 997,507
11,568		Common shares issued on conversion of first preference shares, series A (Note 12)	43,380	
486,575	475,007	Balance outstanding	$1,040,887	$ 997,507

	1969	1968
Excess of net asset value of subsidiary over purchase price of shares at date of acquisition	$ 193,897	$ 193,897
Contributed surplus (Note 9)	5,553	5,553
Retained earnings	530,829	382,181
First preference shares, series A purchase fund (Notes 9 and 13)	13,053	1,053
	$2,288,339	$2,127,691
	$6,277,649	$4,982,027

Approved on behalf of the Board:

Director: H. P. Tomarin

Director: Harry W. Olch

NIAGARA STRUCTURAL STEEL COMPANY LIMITED
AND SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENT OF OPERATIONS

	YEAR ENDED AUG. 31 1969	1968
Net sales	$8,570,758	$7,104,107
Cost of sales and expenses	8,262,146	6,864,748
Profit from operations before providing for the undernoted items	$ 308,612	$ 239,359
Provision for depreciation (Note 3)	$ 83,008	$ 75,014
Remuneration of directors and senior officers	112,851	109,060
Interest on long term debt	26,431	18,975
	$ 222,290	$ 203,049
PROFIT (Before income taxes)	$ 86,322	$ 36,310
Deduct: Provision for income taxes	39,129	36,691
NET PROFIT OR (LOSS) (Note 16)	$ 47,193	$ (381)

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

	YEAR ENDED AUG. 31 1969	1968
Balance at beginning of year as previously reported	$ 382,181	$ 454,504
Income taxes recoverable applicable to prior years (Note 14)	114,210	96,962
Adjustment of depreciation on fixed assets affecting prior years (Note 15)	36,066	15,233
Additional income taxes assessed applicable to prior years		(5,712)
As restated	$ 532,457	$ 560,987
Add: Net profit or (loss) for year (Note 16)	47,193	(381)
Amount transferred from first preference shares, series A purchase fund		11,665
	$ 579,650	$ 572,271
Deduct: Incorporation and issue expenses, amount written off (Note 4)	$ 4,000	$ 4,000
Dividends on preference shares	32,821	35,814
Amount transferred to first preference shares, series A purchase fund (Note 13)	12,000	
	$ 48,821	$ 39,814
Balance at end of year	$ 530,829	$ 532,457

CONSOLIDATED STATEMENT OF SOURCE AND USE OF FUNDS

	YEAR ENDED AUG. 31 1969	1968
Source of funds:		
Net profit or (loss) from operations (excluding gain or loss on disposal of fixed assets)	$ 46,385	$ (37,362)
Depreciation (a charge not requiring a cash outlay)	83,008	95,847
Funds from operations	$ 129,393	$ 58,485
Repayment of special refundable tax	11,724	502
Income taxes recoverable	114,210	
Increase in long term debt	200,000	
	$ 455,327	$ 58,987
Use of funds:		
Net cost of additions to fixed assets	$ 57,758	$ 286,551
Repayments on long term debt	55,900	43,450
Dividends on preference shares	32,821	35,814
Preference shares purchased for cancellation		11,665
Additional income taxes assessed		5,712
	$ 146,479	$ 383,192
Increase or (decrease) in working capital	$ 308,848	$ (324,205)

NIAGARA STRUCTURAL STEEL COMPANY LIMITED AND SUBSIDIARY COMPANIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT AUGUST 31, 1969

1. The consolidated financial statements include the accounts of Niagara Structural Steel Company Limited and its subsidiary companies which are all wholly owned.

2. According to an independent appraisal made by Cooper Appraisals Limited dated February 16, 1962, the fixed assets owned on that date by the subsidiary were appraised at a depreciated value of $1,439,547. The directors of the subsidiary company, however, placed a value on these assets of $1,428,697 and an excess of $913,165 over depreciated net book value has been included in the value of the fixed assets. Subsequent additions have been recorded at cost.

3. The Company has adopted the straight-line method of depreciation as the basis for taking depreciation on fixed assets. Depreciation charged to operations for the year is in accordance with the rates previously determined by an independent firm of consulting engineers.

4. The cost of incorporation and issue expenses is being amortized at the rate of $4,000 per year.

5. Bank term loan is for a period of five years, subject to annual review by the bank, and matures on March 5, 1974.

Principal balance bearing a floating interest rate of 1¼% over the bank's current prime rate	$422,375
Deduct: payments due within one year included in current liabilities	51,900
	$370,475

The bank term loan is secured by a pledge of demand debenture subject to the provisions of a loan agreement. The debenture constitutes a first, fixed and specific mortgage and charge on the lands and equipment and a floating charge on all other assets, subject to the first mortgage on lands and buildings as referred to in Note 7 following, and to the Company giving security in priority to the debenture to its general bankers on its inventory and accounts receivable or other property or assets embraced in the floating charge under the provisions of the Bank Act or otherwise. The bank term loan is repayable as to principal in monthly instalments of $4,325 plus interest.

6. Advances by the general bankers are secured by a pledge of accounts receivable and inventories. In addition a $1,250,000 demand debenture has been issued to the general bankers as collateral security consisting of a floating charge on all of the assets of the Company subject in priority to the debenture referred to in Note 5.

7. The Company owns a one-half interest in certain lands and buildings adjacent to the site of the Company's plant. This property is subject to a first mortgage balance of $29,000, bearing interest at 7% per annum and is repayable $2,000 quarter yearly on account of principal plus interest.

Principal mortgage balance, one-half share	$ 14,500
Deduct: payments due within one year included in current liabilities, one-half share	4,000
	$ 10,500

8. Contingent liabilities:

Letter of credit, balance outstanding	$ 14,171
Note receivable under discount	13,000
	$ 27,171

9. The Company did not purchase during the current year any First Preference shares, Series A for cancellation. The total number of First Preference shares, Series A with a par value of $30 each purchased for cancellation out of the purchase fund set aside up to the close of the current fiscal year, is 1,750 shares for a total cost of $46,947 and the difference of $5,553 has been credited to contributed surplus.

10. The subsidiary, Northern Steel (Nfld) Limited, has entered into an agreement to purchase for a consideration of $12,000 the lands at Wabush Mines, Labrador, upon which there has been erected and installed a building and plant.

11. The number of common shares issued will be increased in the event of conversions of the 6½% cumulative redeemable convertible First Preference shares, Series A, pursuant to the conversion rights attached to such shares.

12. Up to the close of the current fiscal year, 1,446 First Preference shares, Series A, have been converted into fully paid Common shares without par value and 11,568 Common shares were issued on the basis of eight Common shares for each one First Preference share, Series A.

13. The Company has set aside out of profit to the credit of the purchase fund the amount of $12,000 in accordance with the maximum requirements of the conditions attached to the First Preference shares, Series A.

14. Re-assessments for income taxes resulted in a refund to the Company of $114,210 of which $17,248 pertains to 1968 and the balance of $96,962 to certain prior periods.

15. Overdepreciation, in the sum of $36,066 taken on certain fixed assets, has been adjusted. Of this amount $20,833 is applicable to the year 1968 and the balance of $15,233 to prior years.

16. The net loss for the year ended August 31, 1968 has been restated to include the net loss of $1,100 on disposals of fixed assets previously shown in the statement of retained earnings and decreases in the provision for income taxes and depreciation of $17,248 and $20,833 respectively, referred to in Notes 14 and 15.

17. The Company has undertaken to grant, to certain officers and full-time key employees, options to purchase up to a total of 45,000 common shares in its capital at $3 per share, such options to be exercised within such periods as the directors may determine.